

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 368

Topic: Monetary Policy & the Global Financial Crisis

Hansard Page: Written

Senator EGGLESTON asked:

1. The global financial crisis was the consequence of a bust in US house prices. It was not the first asset price boom/bust cycle and it will not be the last. There has been considerable debate about what governments can do to moderate cycles in asset prices. The IMF devoted a special chapter to this issue in its October 2008 World Economic Outlook, and considered in particular whether monetary policy should be responsible for leaning against these phenomena. Do you believe there is a need to broaden the ambit of central banks' price stability goals to include asset prices? What additional tools might be required to effect such a broader goal?

Answer: This question is asking for an opinion on Government policy.